

Indiana University – Purdue University Fort Wayne
Opus: Research & Creativity at IPFW

2015 IPFW Student Research and Creative
Endeavor Symposium

IPFW Student Research and Creative Endeavor
Symposium

3-27-2014

Underemployment

Zachary Harants

Indiana University - Purdue University Fort Wayne

Follow this and additional works at: http://opus.ipfw.edu/stu_symp2015



Part of the [Business Commons](#)

Recommended Citation

Harants, Zachary, "Underemployment" (2014). *2015 IPFW Student Research and Creative Endeavor Symposium*. Book 8.
http://opus.ipfw.edu/stu_symp2015/8

This is brought to you for free and open access by the IPFW Student Research and Creative Endeavor Symposium at Opus: Research & Creativity at IPFW. It has been accepted for inclusion in 2015 IPFW Student Research and Creative Endeavor Symposium by an authorized administrator of Opus: Research & Creativity at IPFW. For more information, please contact admin@lib.ipfw.edu.



Currently U3 is used as the official unemployment rate. Will using U6 be a better indicator of the health of our economy in terms of GDP?

Terms

U3- Total unemployed, as a percent of the civilian labor force (official unemployment rate)

U6- Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force

GDP- The monetary value of all the finished goods and services produced within a country’s borders in a specific time period.

U6/U3 ratio - As the ratio approaches 1, U6=U3. As the ratio increases to 2 or more U6 comes closer to double or triple U3.

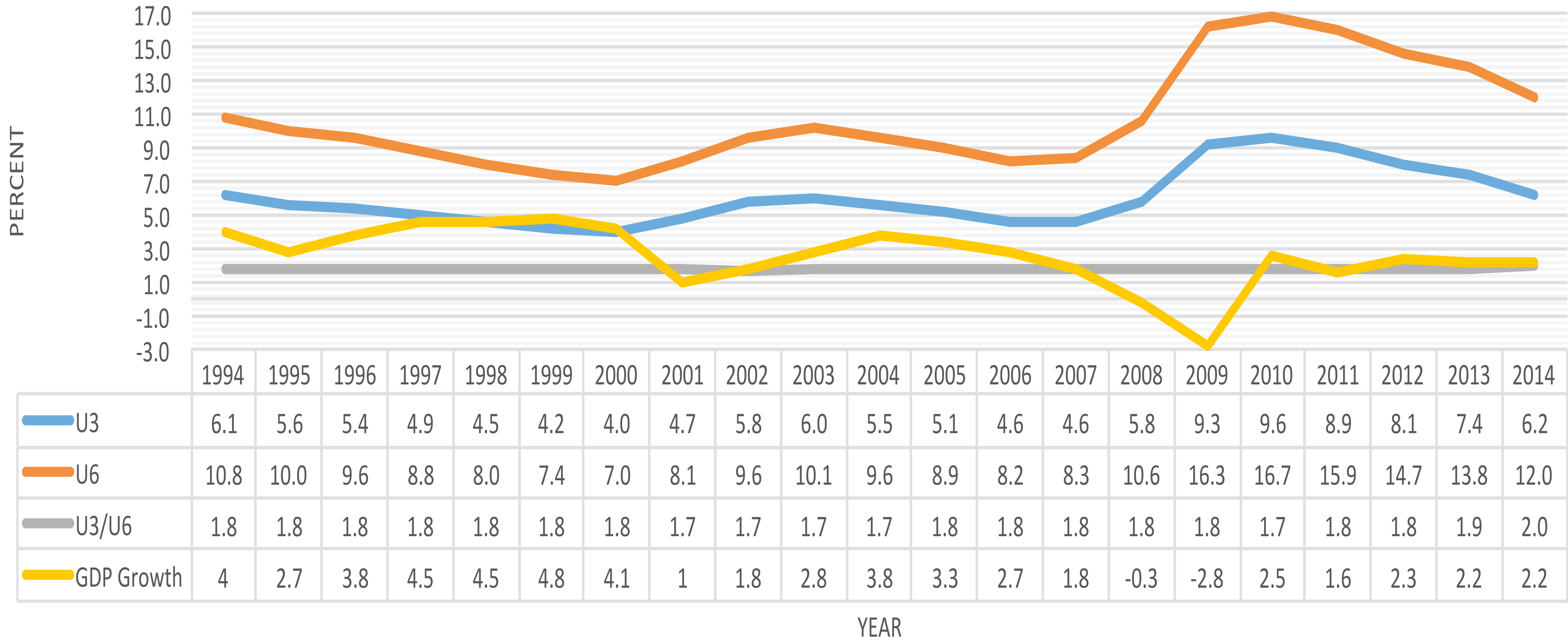
What we would expect to happen is as the ration between U6 and U3 increased we would see an effect on GDP, either decrease or a slower increase then expected during a recovery period. The time line will be between 1994 and 2014, gather data on U6 was started in 1994.

Method

I took U6/U3 by month from 1994 to 2014 and compared that to GDP growth by quarter from the same time period. The graph show here is a simpler version of the data collected.

Does looking at alternate unemployment rates help?

Zachary Harants Advisor: Dr. Nodir Adilov Department of Economics



Conclusion

As we seen in the graph and chart above, U3 and U6 have been moving in relative tandem until the last two years that they have started to move more apart, increasing the ratio between them. We can also see that the recovery after the recession that ended in 2009 has been slow, average between 2010 to 2014 is 2.2 growth, compared to what would have been expected of 4 to 5 percent growth. The reason for slow growth as a connection to the U6/U3 ratio could be low consumer confidence or low consumer disposable income.

Sources
“Federal Reserve Economic Data.” - FRED. N.p., n.d. Web. 14 Mar. 2015. <http://research.stlouisfed.org/fred2>
“Databases, Tables & Calculators by Subject.” Bureau of Labor Statistics Data. N.p., n.d. Web. 15 Mar. 2015. http://data.bls.gov/timeseries/LNS13025670&series_id=LNS14023621&series_id=LNS14000000&series_id=LNS13327707
And http://data.bls.gov/timeseries/LNS13327708&series_id=LNS13327709
Acknowledgments
Dr. Nodir Adilov
Beth Boatright